

WEEKLY REPORT

July 23, 2008

RSC Member Op/Eds and Media Events:

Congresswoman Michele Bachmann wrote an op/ed entitled “Drill Here, Drill Now,” for National Review Online. *“For far too long, Americans have been told by the environmentalist left that drilling in Alaska would hurt the abundant wildlife and natural resources there. This is simply not true. ANWR is a small part of the Arctic Circle in northern Alaska. Energy exploration would be limited to a small 2,000-acre lot with in ANWR. That is comparable to a postage stamp sitting on a football field. Visiting ANWR also revealed that almost no wildlife exists in the 2,000-acre area. It was flat arctic tundra with absolutely no trees in view. And, caribou and wildlife were nowhere near the possible drilling sites. Furthermore, we know that nine months out of the year this area is hidden under snow and ice and three months out of the year the area is covered in complete darkness. ...The fact of the matter is that Congress is standing in the way of \$2-a-gallon gas. It is Speaker Pelosi and the House Democrats who are refusing to let commonsense energy legislation come to the floor. The American people are hurting and gas prices are continuing to spiral out of control. But Congress continues to turn a deaf ear. We have the resources available in areas like ANWR and Colorado to lower oil costs and decrease our dependence on foreign oil. I joined my congressional colleagues traveling 3,500 miles to investigate for ourselves and to prove that if we started drilling today, no harm would be done to the wildlife and natural beauty of our nation,”* wrote Bachmann.

Communicator of the Week
Rep. Mary Fallin
discusses the Republican “all of the above” energy plan on FOX

“One of the most important issues we’re debating is energy and lowering gasoline costs and helping businesses. Home heating fuel costs will be increasing this winter, hitting the pocket books of everyone. We felt like it was very important that we explore all opportunities for energy, whether drilling in ANWR, off-coast areas, western shale states, or renewable energy.”

Congressman Rob Bishop posted on the new RedState 3.0 and participated in an online conversation with RedState readers. *“As a number of my colleagues have demonstrated on this site over the past few days, energy has emerged as the primary issue of the day. The emergence of this issue presents us with a unique opportunity to draw a clear contrast between Republican solutions that promote American energy and the failed, restrictive energy policies of the Democrats. The good news is the public is on our side. Poll after poll shows that Americans are open to responsibly developing America’s energy resources. ...For the rich, \$4 a gallon gasoline is an annoyance; for those who are surviving paycheck to paycheck (like me), it can be devastating. The energy debate here in Congress has largely missed this element. This is the real “Inconvenient Truth.” Blogs like RedState can help make a difference in how many people hear the facts about the relationship between high energy prices and the poor. However, attacking bad Democratic energy proposals is not enough. Our Party also needs to show that we have specific, concrete solutions to these problems. For months, the Republican Leadership has done a good job in framing the issue for the Party and in fostering a broad range of Republican energy proposals. I think it’s time now to fold the broad plan and the various good proposals into one specific strategic energy proposal to take to the American people. This is where I need your help. Americans deserve to know that at least one party in Congress understands what high energy prices mean for the poor, the rural, and the elderly. Americans also deserve to know that at least one party in Congress supports the environmentally sound development of America’s vast energy resources and has a plan to dramatically reduce our dependence on foreign energy and cut energy prices,”* wrote Bishop.

One Minute, Morning Hour, and Special Order Participation

From July 8 thru July 22, 20 RSC Members delivered one-minute speeches and during morning hour, continuing the House GOP's massive push for Members to discuss raising gas prices and the Republican solution to increase American energy supplies, as well as on other topics. Rep Joe Wilson spoke on five different occasions, on energy, non-proliferation, and Colombia's military. Rep. Ted Poe delivered four one-minutes, on energy, Americans in Colombia, and the Post-Office Congress. Rep. Joe Pitts spoke three times on energy, deep-sea drilling and uranium in Iraq. Reps. Virginia Foxx, Michele Bachmann, Sam Johnson, and Marsha Blackburn each spoke twice on energy and gas prices. Reps. Barrett; Shimkus; Stearns; Wittman; Broun; Brown; Latta; Walberg; Lamborn; and Westmoreland all delivered one-minutes on gas prices and energy. Rep. Randy Neugebauer spoke about the importance of prayer. Rep. Jeff Flake spoke during morning hour about wasteful earmarks, and Rep. Cliff Stearns about global energy.

In the News....

POLITICO

Solving the Fannie & Freddie Problem (excerpts)

Rep. Jeb Hensarling and Rep. Paul Ryan

...Congress is now being asked to further expand this taxpayer unfriendly bill to include a breath-taking bailout of Fannie and Freddie. This bailout could put taxpayers on the hook for as much as \$5 trillion dollars worth of risk – that's larger than the economy of every single country in the world except the U.S. or China. That's enough money to buy 10 gallons of gas a week at today's rates for every passenger car in the U.S. for more than the next 17 years. In the worst case scenario of these companies completely failing, though unlikely, taxpayers would see the \$9.5 trillion national debt explode with the snap of a finger.

...Fannie and Freddie have always been able to borrow money more cheaply than their competitors by virtue of their implied government backing and other specifically granted government benefits like a \$2.25 billion line of credit at the Treasury. Yet such a safety net has not made the companies sounder. To the contrary, it has encouraged them to make even riskier and larger bets than their competitors were able to – which has been a money maker during a housing boom, but a nightmare when housing bubbles burst. Granting Fannie and Freddie such broad additional borrowing powers on top of the already generous privileges they enjoy would set a dangerous precedent that if you are big enough and interconnected enough, then you can privatize your profits and socialize your losses. It abandons free-market principles and four decades of assertions that no company was ever "too big to fail."

Having said that, make no mistake, we cannot allow Fannie and Freddie to fail today. The consequences would be dire not only to the housing market, but our overall economy. However, that does not mean that we don't have an obligation to assure taxpayers that they are not too big to fail tomorrow and in the years ahead. If Fannie and Freddie are in a precarious financial position – which both they and their regulator deny – it makes no sense to increase their loan limits and have them engage in even more risky loans, which this bill would allow. Making their implicit government guarantee explicit makes even less sense since their regulator has allowed their already low capital requirements to be lowered further and lifted the cap on their risky holdings of their own mortgage backed securities. An explicit federal guarantee, combined with no action to shrink their investment portfolio operations, will put taxpayers even further at risk.

Thus, if Congress is forced to use taxpayer funds to bail Fannie and Freddie out today, we must take all the necessary steps to make sure we never, ever let them put taxpayers at risk again. To do that, the only true reform is to ensure that Fannie and Freddie transition – over a reasonable time period – to the discipline of a competitive marketplace. They must become truly private companies without special government privileges, and their GSE charters must be phased out.

We need to look at breaking Fannie and Freddie up into smaller components, as in the case with AT&T and Ma Bell a number of years ago. Instead of having a duopoly, we should have at least a couple dozen players in the market. Let there be a more competitive, more innovative marketplace in the conforming loan area. The other option is to convert these quasi-governmental corporations into a fully Federal entity. If the U.S. taxpayer is going to be at risk of financial loss, Fannie and Freddie should at least be honestly placed within the Federal budget with full oversight and control. There are 5 trillion reasons why this legislation ought to be thoroughly examined by Congress. Taxpayers have the right to expect a serious, long term solution rather than a quick fix that puts them on the hook today and places them further at risk tomorrow. Anything less is irresponsible.

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